Section 6

Transportation Funding Plan
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INTRODUCTION
The Transportation Planning Rule (OAR 660-12-040) requires that the City of Boardman Transportation System Plan (TSP) include a transportation financing program. These programs are to include:

- a list of planned transportation facilities and major improvements;
- a general estimate of the timing for planned transportation facilities and major improvements;
- determination of rough cost estimates for the transportation facilities and major investments identified in the TSP (intended to provide an estimate of the fiscal requirements to support the land uses in the acknowledged comprehensive plan(s) and allow jurisdictions to assess the adequacy of existing and possible alternative funding mechanisms); and,
- a discussion of existing and potential financing sources to fund the development of each transportation facility and major improvement (which can be described in terms of general guidelines or local policies).

Section 5 of this TSP identified the recommended improvement projects, an implementation timeline, and estimated improvement costs. This section provides an overview of the City of Boardman’s historic funding levels and available funding sources at a federal, state, county, and local level.

The timing and financing provisions in the transportation financing program are not considered a land use decision as defined by the TPR and ORS 197.712(2)(e) and, therefore, cannot be the basis of appeal under State law. In addition, the transportation financing program is intended to implement the comprehensive plan policies, which provide for phasing of major improvements to encourage infill and redevelopment of urban lands, prior to facilities that would cause premature development of urbanizable areas or conversion of rural lands to urban uses.

CITY OF BOARDMAN FUNDING HISTORY
Most of the city’s transportation budget is derived from the city’s share of the Morrow County road tax. The city also receives funding through the state-wide gasoline tax and motor vehicle fees. This revenue sharing is based on population and distributed on a proportional share basis to all cities and counties.

During the recent past, the City of Boardman’s funding for capital projects has been relatively limited. For example, $3,500 was allocated to capital projects during the 1996-1997 fiscal year while $9,900 was budgeted during the 1998-1999 fiscal year. The 1998-1999 fiscal year budget also included a $60,000 expenditure to pave Locust Street and a $25,000 small city allotment grant. The Locust Street budget allocation was expected to be carried through into the 1999-2000 fiscal year budget due to the anticipated project completion date of September/October 1999.

At the time this TSP was prepared, the city had recently introduced a $60,000 budget item for street improvements/capital reserve fund for streets and parks. The new budget item was still under consideration by the City Council at the time this TSP was prepared and had not been approved.

The opportunity to make incremental improvements to the existing transportation system in Boardman is primarily facilitated by development/redevelopment. When a building permit is requested, the city examines the needs of the transportation facilities along the site frontage and identifies what should be improved/provided in association with the issuance of the permit. Prior to building permit issuance a site analysis is completed and, for commercial and subdivision proposals, a site review team is assembled to review the proposed development.
The City of Boardman currently does not have a transportation system development charge (SDC), which would be assessed to developers. This charge could be implemented by the city, with both a "reimbursement fee" and an "improvement fee" element built into its structure. The reimbursement fee places a value on the amount of capacity on an existing street that is utilized by new site development traffic. The improvement fee is an assessment for the added traffic impact associated with new development that triggers new roadway improvements. As a follow up to the Boardman TSP study, it is recommended that the city undertake a study to consider the appropriateness of a transportation SDC structure that would further facilitate the development of a multi-modal charge where funds could be spent on pedestrian, bicycle, transit improvements, and street improvements.

OREGON TRANSPORTATION FUNDING HISTORY

Road-Related Funding
The most significant portion of Oregon’s highway user taxes and fees come from federal fuel and vehicle taxes, state taxes, and general motor vehicle fees. These categories account for 32 percent, 34 percent, and 25 percent, respectively, of all highway user taxes and fees collected in the State. Through the fiscal year 1996, the matching ratio in Oregon for Interstate Funds was: Federal 92.22 percent and State 7.78 percent (Reference 7).

During the 1980's, Oregon’s transportation budget was bolstered by a series of two-cent annual gas tax increases. At the same time, the Federal Government was increasing investment in highways and public transportation. The situation is different today. The last three Oregon Legislatures failed to increase the gas tax and federal budget cuts are reducing transportation funding available to Oregon. The State Highway Fund is further losing buying power because the gas tax is not indexed to inflation, and increased fuel efficiency of vehicles reduces overall consumption. Nevertheless, fuel taxes are the largest single source of highway revenues at approximately $390 million annually (Reference 7). Weight-miles taxes are the second largest source of revenue to the Highway Fund, at approximately $215 million annually (Reference 7).

Oregon Highway Trust Fund revenues are distributed among State (60.05 percent), County (24.38 percent) and City (15.57 percent) governments to fund their priority road needs. Under the 1997-1999 legislatively adopted Department of Transportation budget, a total of $2,284 million revenue dollars was identified. Of the total available revenue, approximately $317 million dollars was allocated to counties and $185 million to cities (Reference 8).

Oregon law allows local government, in addition to receiving state highway trust fund revenues, to levy local fuel taxes for street related improvements. Multnomah and Washington Counties, and some small cities (Tillamook, The Dalles, Woodburn) have used this authorization. Several attempts have been made by other jurisdictions, but have not been supported by the local electorate. As few local governments have implemented this option, non-user road revenues tend to be relied upon to supplement the funds received from state and federal user revenues. Other local funding sources have included property tax levies, local improvement district assessments, bonds, traffic impact fees, road user taxes, general fund transfers, receipts from other local governments, and other miscellaneous sources.

Oregon’s current fee for cars and other light vehicles weighing 8,000 pounds or less is $30 biennially (Reference 7). Oregon law permits local governments (counties) and governmental entities to impose local option vehicle registration fees. To date, no county has implemented this tax.

Cities in Oregon have relied more on transfers from their general funds to support roadway improvements, than have counties. Ballot Measure 5, however, approved by the voters in 1990, reduced the range of funding and financing options available to both cities and counties. Measure 5 limited the property tax rate for purposes other than for payment of certain general obligation
indebtedness to $15 per $1,000 of assessed value. The measure further divided the $15 per $1,000 property tax authority into two components: $5 per $1,000 dedicated to the public schools; the remaining $10 dedicated to other local government units, including cities, counties, special service districts, and other non-school entities. The tax rate limitation for cities and counties went into effect in July 1991. The school portion of the measure was phased in over a five-year period beginning in July 1991.

In 1996, voters again approved a property tax limitation measure, Ballot Measure 47, which further impacted the ability of cities and counties to pay for needed infrastructure through historic or traditional means. Ballot Measure 50 was then approved by Oregon voters in May of 1997 and, through implementing legislation, became law in July 1997. Ballot Measure 50 repealed Measure 47 and made efficiency changes to Measure 5. Measure 50 limits taxes on each property by rolling back the 1997-1998 assessed value of each property to 90 percent of its 1995-1996 value. Measure 50 also limits future growth on taxable value to three percent per year, with exceptions for new items such as new construction, remodeling, subdivisions, and rezoning. Permanent tax rates for Oregon’s local taxing districts are also established in Measure 50 that replace the former tax base amounts of the district. Measure 50 allows voters to approve new short-term levies outside the permanent rate limit if approved by a double majority.

At the same time that increased growth and increased transportation demands are occurring, cities and counties have lost another traditional source of revenue for infrastructure construction and modernization - timber harvest receipts. Under a 1993 negotiated mitigation plan, federal forest receipts to support county roads are decreasing 3 percent per year. In 1996, counties received 74 percent of their 1986-90 average receipts, and by 2003 they will receive 55 percent of the late 1980s average receipts.

Given this funding environment, current funding levels and sources are not adequate to meet the transportation needs of the State, counties, or cities, for the next 20 years. In response to this gap between needs and funding, Governor Kitzhaber organized the Oregon Transportation Initiative to look at statewide transportation needs and to develop a program to address how these needs will be met. Through a public process led by business and civic leaders across the State, findings and recommendations on the state of transportation needs and methods to address those needs was submitted to the Governor in July 1996.

A result of these recommendations was the appointment of a committee to develop a legislative proposal to the 1997 Legislature regarding transportation funding. Part of that proposal included a process for identifying a “base” transportation system, with a priority of maintenance, preservation, and operation of a system of transportation facilities and services that ensures every Oregonian a basic level of mobility within and between communities. Other components included provisions for realizing efficiencies resulting from better intergovernmental cooperation (shared resources and equipment, better communication on project needs and definition), and elimination of legislative barriers to more efficient and cost-effective methods of providing transportation services. The State Legislature was unable to reach consensus on the means to collect and distribute the funds and the package failed.

A part of future transportation funding will include identification of relationships and responsibilities relative to delivery of projects and services. In Oregon, the primary state role has been to construct and maintain the state highway system and to assist local government with funding of other modes. The State also has a role in intercity passenger services and airports. This has historically been minor but would grow significantly, if serious efforts were put into intercity transportation improvements. Local governments provide local transit and airport support, in addition to providing maintenance, preservation, and construction for local roads, streets, and bridges. The Federal Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) began moving decision-making for federal programs
to states and this program and other state policies incorporated in the Oregon Transportation Plan (OTP) encourage reassessment of responsibilities and obligations for funding. The Transportation Equity Act for the 21st Century (TEA21), passed in 1998, has continued the efforts first initiated by ISTEA.

These changing relationships have resulted in two significant issues for State and local governments. First, there is no clear definition of State responsibility. At one time, the State operated on an informal consensus that it should provide one-half the match on federally funded, local, and other projects that served statewide needs. No similar consensus seems to exist today. The State’s responsibility for transit, airports, and other local transportation infrastructure and services is not clear. The question of regional equity is raised in considering especially high-cost project needs, such as the Bend Parkway or the Portland area light rail program. Regional equity will probably require consideration of all modes together, because different regions may have different modal needs and financial arrangements.

Given this dynamic transportation funding environment, it is clear that local governments need to reassess traditional methods of funding projects and look creatively at ways to meet public expectations of high quality transportation services.

**Transit Funding**

Transit service in Oregon has evolved from private development and reliance on user fees for operating revenue, to public ownership with public subsidy for operations. No clear philosophy of the State role in providing transit services is evident and the State is discussing how it should raise revenue in support of transit. The State has used general funds, lottery funds, cigarette tax revenue, and other funds at various times to support transit service. These efforts have largely been targeted towards supplying half the required match to federal capital improvement grants. To date, the State has provided no operating funds for transit, other than the elderly and disabled program. The State role has been one of granting authority to local governments to raise locally-generated operating revenue.

While the state’s role in transit funding is limited, the ODOT Public Transit Section does currently administer three public transit funding sources. These include Small City and Rural Transit Assistance (Section 18), the Special Transportation Fund (STF), and Section 16.

The Small City and Rural Transit Assistance program is a federally funded initiative that provides capital to operate and acquire vehicles for public transportation systems in cities with populations of less than 50,000 and rural areas. This assistance program is funded annually through an appropriation from the Federal Transit Administration (FTA) to each state with funds allocated to eligible providers based on a three-part formula. Fifty percent of the funds are distributed based on population, 25 percent are based on ridership, and 25 percent are based on service hours. There is a 50 percent local match requirement for operating costs and a 20 percent match for capital costs. The program stipulates that service must be marketed as “public transit”; exclusive transportation services such as those limited strictly to senior citizens or employers are not eligible for funding under this program. Additional funding details, application information, and general assistance with the Small City and Rural Transit Assistance is available through ODOT’s Public transit Division.

The Special Transportation Fund is intended for elderly and disabled citizens and is funded through the State cigarette tax. Funding for the purchase of vehicles and equipment for special transportation providers (i.e., servicing the elderly and disabled) is provided through a federal funding program known as Section 16.
POTENTIAL TRANSPORTATION FUNDING SOURCES

There are a variety of methods to generate revenue for transportation projects. Funding for transportation improvement projects are derived from three sources: federal, state, and local governments. Appendix E (Table E-1) provides a summary of federal, state, and local highway, bridge, sidewalk, and bicycle funding programs respectively, which have typically been used in the past. Although property tax is listed as a possible revenue source, the impacts of Ballot Measure 47 severely limit the opportunities for this funding source.

Appendix E (Table E-2) presents details of the revenue sources for streets, bridges, sidewalks, and bicycle facilities currently used by cities. The information is summarized by type of facility, and indicates the percent of revenue each funding source represents for all cities in Oregon, likely trends for the source, known constitutional or other limitations, and their respective rates. The general status of each funding source is summarized in Table E-3.

Funding Program

Based on the identified improvement needs, major expenditures for transportation improvements are anticipated throughout the 20-year planning horizon. These transportation needs exist at a time when funding options available to make improvements are constrained. The city can expect to make significant investments to improve transportation facilities for existing development and to improve collectors and arterials that serve the entire area. However, the burden for future expansion of the transportation network should be borne by the development community creating the additional demand and this is reflected in the project costs/responsibilities previously summarized in Table 8.

Based on the recommended roadway improvement projects identified in Table 8, at least $206,000 of roadway improvements have been identified for completion within the next five years by the city. Within the 10 to 15-year planning horizon, the Future Boulevard along the BPA easement and the extension of Olson Road across Interstate 84 are anticipated. While the estimated $3.5 million dollar cost of the Future Boulevard is expected to be addressed by private development, the estimated $8-10 million expenditure associated with the Olson Road extension will be shared by the city and ODOT. For the remainder of the projects identified for completion within the 20-year planning horizon, it is anticipated that the cost of transportation improvements will be borne by private developers in conjunction with new development and/or redevelopment.

Pedestrian and bicycle improvement projects are expected to be implemented on a gradual basis as roadways are reconstructed, development activities occur, or alternative funding becomes available through grant projects or some other financing mechanism. Pedestrian and Bicycle improvement projects that would likely be completed by the city total $46,000 in the near-term, $83,500 in the mid-term, and $230,000 in the long-term. The remaining $186,500+ in identified pedestrian and bicycle improvement projects are expected to be financed by developers as appropriate. Funding programs such as the Transportation Enhancement Program provide funds for enhancing pedestrian and bicycle facilities, landscaping, and other scenic beautification that may be a source of funding for adding sidewalks, multi-use paths, and bicycle facilities. Additional funding may be available through the creation of Local Improvement Districts or through grant projects.

State Funding

Due to funding limitations, ODOT is currently in a preservation/maintenance funding mode. The only roadway facility that ODOT operates and maintains in the City of Boardman is Interstate 84. The interstate does, however, impact the local transportation system, especially with respect to north-south connectivity and interchange operations. Although limited, state and federal funds administered through ODOT will be the primary sources of funding for improvements to Interstate 84 and its interchanges. Further, most Federal funding is passed through ODOT to local jurisdictions. While
improvement projects affecting ODOT facilities are documented in this TSP, the inclusion of such projects in the TSP does not obligate ODOT to finance them.

A good working relationship with ODOT Region 5 planning staff and the Region Manager will be important to ensure that major roadway improvement projects on state facilities within the city are included in ODOT’s State Transportation Improvement Plan (STIP) when it is updated. The city and Morrow County should take an active role in jointly representing the transportation priorities of Boardman to ODOT during its process of formally incorporating priorities into the STIP. For its part, the City of Boardman’s Transportation System Plan will provide ODOT with highway-related transportation projects of importance to the city and should be used as a basis for discussion with ODOT.

Local funding participation in projects on state facilities may enable the ODOT to accelerate the priority of an improvement identified in the STIP. While not normally a requirement of project funding, local participation does demonstrate a strong commitment to ODOT and the local funds may be used to leverage state funds.

**Local Funding**

The City of Boardman should continue to pursue federal, state, and county transportation funds for transportation projects. Given the high level of annual expenditures needed for construction of the transportation projects identified, existing sources of transportation revenue are not expected to be adequate to meet the demand for new projects. To meet the additional funding needs, the city may wish to consider additional revenue-generating options such as systems development charges, local improvement districts, and street maintenance fees as discussed below. It should be noted that, even with increased funding, it may prove difficult to fund all of the projects identified in this TSP within the 20-year planning horizon. Accordingly, the city should review the identified improvement projects on a periodic basis to prioritize local transportation system funding such that it most appropriately reflects current and projected needs.

**Transportation System Development Charge**

The City of Boardman does not currently have a transportation system development charge, which would be assessed to developers. This charge could be implemented by the city, with both a “reimbursement fee” and an “improvement fee” element built into its structure. The reimbursement fee places a value on the amount of capacity on an existing street that is utilized by new site development traffic. The improvement fee is an assessment for the added traffic impact associated with new development that triggers new roadway improvements. The City of Pendleton has successfully implemented a SDC for transportation improvements.

As a follow up to the Boardman TSP, it is recommended that the city undertake a study to consider the appropriateness of a transportation SDC structure that would further facilitate the development of a multi-modal charge where funds could be spent on pedestrian, bicycle, transit improvements, and street improvements. The study should determine the feasibility of implementing SDC fees, particularly with respect to evaluating equitability with neighboring cities both in economic and political terms.

**Local Improvement Districts**

Local improvement districts could be formed to improve currently substandard and unimproved roads. These projects may or may not be fully completed within the 20-year planning horizon.

**Street Maintenance Fee**

The City of Boardman could investigate local adoption of a street maintenance fee to raise revenues to be dedicated toward street rehabilitation projects. These revenues could also be used to supplement
the current State Highway Fund (State gas tax and vehicle registration fees) revenues already used for on-going maintenance.

**Additional Considerations**

There are important limitations that should be considered with respect to additional funding options. For example, the dollar amount of SDCs that can be assessed must meet legal requirements for establishing SDCs. Also, the success of any funding plan will be reliant on the approval of the community. Accordingly, the involvement of citizens of the community in developing and implementing a funding package is essential.